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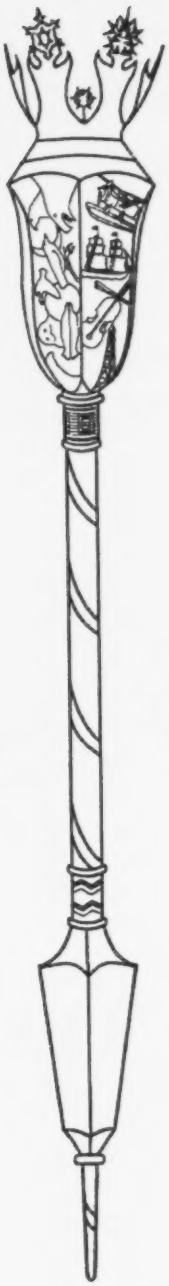

Northwest Territories Legislative Assembly

Standing Committee on Governance and Economic Development

Report on the Review of the 2002-2005 Business Plans

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Standing Committee on Governance and Economic Development
Report on the Review of the Business Plans 2002 - 2005

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Standing Committee on Governance and Economic Development
Report on the Review of the 2002-2005 Business Plans

Introduction

- The Standing Committee on Governance and Economic Development (GED) met from September 24th to October 5th, 2001 to review the 2002-2005 Business Plans. *This report is an examination of the Government's proposed Business Plans that were provided to the Committee on September 12, 2001. The report does not reflect developments that have occurred since that time.*

- The GED envelope includes the following departments, the Executive, the Ministry of Aboriginal Affairs, the Financial Management Board Secretariat (FMBS), Finance, Public Works and Services (PWS), Municipal and Community Affairs (MACA), Transportation, and Resources, Wildlife and Economic Development (RWED).

- The Committee would like to take this opportunity to acknowledge the hard work by department and committee staff.

General Comments

Business Planning and Financial Reporting

- The Committee wishes to acknowledge the progress made by departments in the development of their business plans. The Committee was particularly impressed by the considerable effort expended by the Department of Public Works and Services, noting that their revised vision statement was one of the best in the Business Plans this year.

- The Committee also wished to note that the new standardized information technology plans made analysis much easier.

- The Members suggested that a new standardized human resource plan format would assist them in their Business Plan analysis. Information such as affirmative action statistics, women in management statistics, vacancy rates, turnover rates, employment by region/division and information about deleted/added positions would be of benefit to the members.

- Timeliness and accuracy of financial information remains a concern for the Committee in this year's review of the Business Plans. Several revised sets of financial data for the Government overall and many departments were received between September 12th and October 2nd, 2001, making financial analysis difficult. Financial data for the Department of Finance and the Department of Transportation were particularly unclear.

Placement and Co-ordination of New Initiatives

- The Committee expressed its concern that a number of new initiatives are being placed within departments that do not have the proper mandate for such programs.

  For example, the Executive is now taking the lead on initiatives such as the Social Agenda Framework, Maximizing Northern Employment and the new Energy Secretariat. FMBS is currently taking the lead on the new Hydro Initiative. Neither one of these departments were designed as service departments and the Committee feels that new initiatives should be placed within departments that are currently dealing these issues.

- The Committee also wanted assurance that the number of different departments involved in energy initiatives and the new Energy Secretariat and the new Hydro Strategy will not be duplicating efforts.

"Incremental Costs" for Self-Government

- The Department of Indian Affairs and Northern Development has agreed to pay for all incremental costs arising from self-government in the Northwest Territories.

  However, it has not agreed on what "incremental costs" actually are. The Committee encourages the GNWT to work with the federal government to clearly establish the definition of incremental costs and the dollar values attached to them.

Results Reports

- The Committee noted that they did not have the Results Reports for any department before the Business Plan review process. Timely receipt of the

Results Report would considerably improve the analysis process. The Committee encouraged the departments and FMBS to ensure that Results Reports are made available well before future Business Plan reviews.

New Corporate Capital Planning Process

- The Committee is concerned about the establishment of a new Corporate Capital Planning Process to implement a new 2002-2005 Infrastructure Acquisition Plan without consultation of the Regular Members. The Committee feels that the new process, which removes capital planning from the departments and places the decision-making in deputy ministers' control, may leave communities and Regular Members without effective input.

- As a result of this new capital planning process, all GNWT capital projects are now subject to a prioritization process, determined by the Capital Review Committee, which is made up of departmental representatives. The prioritization process is made up of a review of all capital projects screened through a new Primary Rating Criteria.

- The new Primary Rating Criteria places the protection of people first, followed by the protection of assets, protection of the environment, financial investment considerations, and then program needs or requirements. The Standing Committee is concerned that these criteria, especially the protection of people, may lead to projects from larger centres being placed before the needs of smaller communities.

Assumption of Passage of Bills

- The Committee noted that departments have assumed passage of proposed bills into their Business Plans. This was an issue during last year's Business Plan review with the proposed Hotel Tax.

  During this year's Business Plan review, the Committee noted that the Department of Transportation had incorporated forecasted expenditures and revenues from the proposed Highway Investment Strategy in their budget. The Committee would like to see an alternate Business Plan that is more realistic and does not incorporate figures from the proposed Highway Investment Strategy which is still in the public hearing stage.

Vacancies

- From a review of past Business Plans, the Committee again expressed its concern that the budgets allocated for positions left vacant are being used for programs and services. The Committee would like to be assured that the departments are doing everything possible to fill these positions.

Executive Offices

General

- The Standing Committee on Governance and Economic Development met with the Premier and departmental staff to review the 2002-2005 Business Plan on September 24th, 2001. The Committee noted a $5,573,000, or a 51.59 percent, increase in total Operations or O & M expenditures from the 2001-2002 Main Estimates.

- Most of this increase is due to the addition of two new initiatives and related funding: Maximizing Northern Employment - $4,646,000 and the Energy Secretariat - $1,000,000. The increase is offset by a decrease of $73,000 due to the end of a lease for the Native Women's Association.

Social Agenda Framework

- The Social Agenda Framework was developed at a conference, which was initiated by the Ministerial Committee on the Social Agenda and chaired by the Minister for Health and Social Services. The Social Agenda Conference, held June 18-20, 2001 at the Hay River Dene Reserve, was an opportunity for frontline workers to meet with government, aboriginal and community leaders, and with policy makers in the NWT. This conference was intended to "kick-start" the development of an NWT Social Agenda, "to begin the process of finding solutions to social problems that allow individuals, families and communities the opportunity to benefit from current economic development initiatives." (Social Agenda Conference Report, page 1)

- While the intent is laudable, the Standing Committee on Governance and Economic Development is concerned about the decision to place this new initiative within the Department of the Executive. The vision of the Department of the Executive states that it is to "contribute to governance within the

Northwest Territories by providing superior service to Cabinet, sound advice to departments and innovative, results-oriented leadership within the territorial public service." (Department of Executive Business Plan 2002-2005). The Standing Committee believes that this vision and their mandate as a whole does not support the Government's position that the Executive should now become a service department.

The Standing Committee on Governance and Economic Development recommends that the Social Agenda Framework be removed from the Department of the Executive and placed within the Department of Health and Social Services.

Maximizing Northern Employment

- Maximizing Northern Employment is a new initiative headed up by the Department of Education, Culture and Employment (ECE) and is designed to increase the number of resident employees in the Government of the Northwest Territories.

- While ECE is heading up this program, the Department of the Executive is taking the lead role in two major parts of this initiative, the Northern Student Employment Program and the Northern Graduate Employment Program.

- The Department of the Executive is also administering the funds for Maximizing Northern Employment and then dispensing those funds to the appropriate departments.

The Standing Committee on Governance and Economic Development would like to see both the funding and the responsibility for Maximizing Northern Employment placed within the most relevant department, rather than the Executive.

The Executive's mandate does not currently extend to service delivery and the Standing Committee is of the opinion that it should maintain its previous mandate of advice and leadership capacity rather than service delivery.

Energy Secretariat

- The Energy Secretariat was established to provide the Government and the Northwest Territories with a new Energy Strategy to reduce greenhouse emissions, coordinate energy initiatives in various departments and agencies, and to provide advice on various energy alternatives. The Energy Secretariat was established for a period of two years.

- The Department of the Executive will be providing the lead on the Secretariat, including all related funding.

- As previously stated, the Committee wanted assurance that the number of different departments involved in energy and the new Energy Secretariat will not be duplicating efforts. The Committee expects the Government to provide a workplan for the Energy Secretariat by the fall, 2001.

- The Standing Committee raised concerns with the placement of a service delivery program within the Department of the Executive.

Annual Report

- The Department of the Executive stated in their Business Plan for 2001-2004 that they would be producing a government-wide annual report in order to provide to the public a review and update of the activities and progress of the government.

- During the review of the Department of the Executive's Business Plan for 2002-2005, the Standing Committee asked for the annual report. The Department replied that they had not yet had time to prepare one.

The Standing Committee on Governance and Economic Development recommends that the Department reinstate its policy of delivering an annual report.

The Committee is of the opinion that the lack of an annual report combined with the lack of a Results Report does not contribute to an accurate and responsible review of the Department's Business Plan.

Aboriginal Training

- During a review of the Maximizing Northern Employment program the Committee suggested that the Executive work with Education, Culture and Employment to develop a program of aboriginal training similar to the model used in Nunavut before division. This program was highly successful in preparing Inuit to assume responsibilities for the new government of Nunavut.

The Committee would like to see a similar program of aboriginal training to encourage the hiring and advancement of aboriginal people within the Government of the Northwest Territories.

Intergovernmental Forum

- In May, 2001 the Intergovernmental Forum (IGF) agreed to the formation of the Northwest Territories Economic Development Advisory Forum. Their mandate is to provide advice and make recommendations to the IGF on a wide range of territory-wide economic development matters.

The Committee would like to ensure that there will be clear, established lines of authority and communication for this new Advisory Forum.

Financial Management Board Secretariat

General

- The Financial Management Board Secretariat (FMBS), along with the Ministry of Aboriginal Affairs and the Executive Offices, comprise the Department of the Executive. Each one submits their own Business Plans and Main Estimates for review by the Standing Committee on Governance and Economic Development.

- The Standing Committee on Governance and Economic Development met with the Chair of the Financial Management Board, the Secretary to the Financial Management Board, and Financial Management Board Secretariat staff on October 4, 2001 to review the Secretariat's proposed Business Plan for 2002-2005.

- The Secretariat proposed an increase of $2,799,000 or a 10.4 percent in its operations expenditures, an increase of $985,000 or a 820.1 percent in its infrastructure acquisition plan and a projected decrease of $100,000 or a 2.2 percent in its overall revenues from its 2001-2002 Main Estimates to their 2002-2003 Business Plan.

Expansion of Mandate

- The Committee pointed out significant changes to the Secretariat's mandate. These changes include an upsurge in its overall responsibilities and personnel. Committee members recalled that the mandate of FMBS is:

> ... the management and control of the financial, human and information resources of the Government, and for providing analysis and advice to the Financial Management Board, ensuring that the Government's financial, human and information resources are managed in an effective, efficient and economical manner. (FMBS, Establishment Policy, p. 1)

- Committee Members observed that FMBS has moved from an oversight function of the Government to include program delivery. An example of that movement is the proposed establishment of the Hydro Unit within the Secretariat, which is addressed later in this Committee report.

- With the additional responsibility of program delivery, FMBS has acquired and is proposing additional personnel. In the 1999-2000 fiscal year, FMBS had 116 active positions. Since then, the Secretariat has grown to 146 positions.

- The Committee reminded the Government that the mandate of the Secretariat is to provide advice to Cabinet and to provide an oversight function for the Government.

Hydro Unit and the Coordination of Government Energy Initiatives

- The purpose of the Hydro Unit and the Hydro Strategy are:
  (a) To inform NWT residents, including aboriginal governments, on the hydro potential of the NWT;
  (b) To determine the level of public interest in pursuing hydro potential;
  (c) To identify issues and concerns regarding hydro developments; and

(d) To research the economic feasibility of NWT hydro development.

- Although the Committee concurred with the Government on the potential and importance of hydro development in the Northwest Territories, the Committee is of the position that the Hydro Unit be more appropriately included as part of the Department of Resources, Wildlife and Economic Development (RWED) or the Northwest Territories Power Corporation (NWTPC).

- Committee members reminded the Government that FMBS's role is to oversee the expenditures of the Government and not to directly participate in economic development. Economic development is part and parcel of the mandate for RWED. The Committee does not want to see funding going towards FMBS for the development of programs and services outside its mandate.

- Furthermore, Committee members noted that until the Government obtains in-depth public input, it can never be sure hydro development would be well received by the residents of the NWT.

- Committee members also noted that many departments, secretariats and agencies already have their own energy initiatives. The Committee concluded that a coordination and centralization of efforts in this important area would result in better results and a greater economy of scale. As a result, the Committee suggested that the Government combine all of its energy responsibilities and initiatives into one coordinated task or activity.

Spending on Energy Strategies and Opportunity Cost

- The Committee members noted that $1,000,000 has been proposed for the establishment and operation of the Hydro Unit. Additional funding is also proposed for energy initiatives in other departments. This funding could be better spent on existing programs and services, such as those in the social envelope. The Committee has concluded that this Government has spent too much money on strategy and not enough on delivery.

Unauthorized Capital Expenditure Transfers

- The Committee stated that it does not approve of funding transfers within capital projects without prior notification given or provided to the Member who represents the impacted constituency.

The notification of funding transfers within capital projects to the respective Member is an important component of transparency and accountability in Government.

Changes in capital projects and their funding are especially significant for smaller communities, as they are usually the only major economic driver in their region. The FMBS replied that no changes to the *Financial Administration Act* or the Financial Administration Manual are required and it will monitor expenditure transfers more carefully.

Pension Reform

- The Committee remains concerned about costs arising from the pension reform. The Territorial Government has until the 2004-2005 fiscal year to negotiate a transfer of the superannuation into a pension plan.

  Estimated pension reform costs are currently between $12,000,000 and $13,000,000 per year, but the federal government agreed to reimburse the Territorial Government until 2004-2005. If the Government does not have a viable solution by then, costs are estimated to increase by an additional $6,700,000.

- The Committee asked FMBS if they have built these costs into the Government's expenditure forecasts. The Minister replied the Government has not. He added that the pension reform issue would be resolved by that time.

Self-Government Incremental Costs

- Potential incremental costs arising from future self-government may be considerable. The Committee sought clarification from the Government on who will pay for the incremental costs arising from self-government.

  The Minister replied that incremental costs would be borne entirely by the federal Department of Indian Affairs and Northern Development (DIAND). Upon further questioning, the Minister advised the Committee that although DIAND has agreed to pay for all incremental costs, no agreement has been reached on the definition of "incremental costs."

Replacement of the Financial Information System

- Committee members were concerned the Government's Financial Information System (FIS) would eventually require replacement. The Government has proposed additional capital funding extend the operating life of FIS through the next three fiscal years.

  However, the Government noted that eventually the current FIS system would no longer be economical or practical to maintain. The Committee was informed that a replacement, which will have to be made in the near future, would cost between $10,000,000 and $15,000,000.

- Committee members asked the Minister if replacement costs have been built into the Government's future funding requirements. The Minister replied that replacement costs for FIS have not been incorporated into the Government's future capital expenditure plan.

  The Committee advised the Minister that the eventual replacement of the FIS represents significant costs for the Government and should be included as part of the Government's expenditure forecasts.

Results Report

- The Committee did not receive the Government's Results Report for 2000-2001 until after it reviewed the Government's proposed 2002-2005 Business Plans.

  All of the Standing Committees involved in the Business Plans review process suggested that it would have been helpful in their evaluation of the Government's proposed Business Plans.

- The Committee noted that FMBS has set as one of its targets for upcoming fiscal years as "Results Report complete within four months after fiscal year-end."

  Committee members suggested that in the future, the Results Report be submitted to the Members immediately after the Government targeted four-month deadline to allow Members to have time to review the Government's performance and to properly evaluate the Government's proposed Business Plans.

Ministry of Aboriginal Affairs

General

- The Standing Committee on Governance and Economic Development met with the Minister and departmental staff to review the 2002-2005 Business Plan on Wednesday, October 3rd, 2001.

- The Department has proposed an increase to their 2002-2003 fiscal year by $241,000 or 4.93 per cent. The majority of this increase is due to forced growth as a result of increased air travel costs and the addition of the Manitoba/Saskatchewan Denesuline negotiation tables.

Forced Growth Due to Air Travel Costs

- The Committee noted forced growth associated with an increased cost in air travel resulted in a 6.9 percent increase in their budgets. The Committee would like to know if this was a budget item increase for all departments or just for the Ministry of Aboriginal Affairs.

- The Committee would also like to know if these forced growth costs are associated with the increases in landing fees and other airport fees, which the GNWT put in place last year as per its Program and Functional Review.

Manitoba and Saskatchewan Denesuline Negotiations

- Both the Manitoba and the Saskatchewan Denesuline First Nations Groups took action against the federal government claiming aboriginal and treaty rights North of 60. Both groups agreed to hold the court action in abeyance while they attempted to settle their claims through negotiation with the federal government.

- While the majority of the Manitoba Denesuline Group's claim is in Nunavut, the Saskatchewan Denesuline Group's claim is largely in the NWT.

- The Saskatchewan Denesuline would like to have the same rights and benefits as NWT aboriginal people, including harvesting rights and non-renewable resource access.

- The groups would also like to participate in the Intergovernmental Forum and will apply for observer status at the Aboriginal Summit. Negotiations are at a very preliminary stage, however the Ministry of Aboriginal Affairs feels that the Government of the Northwest Territories should be a part of this process. The Ministry has therefore increased the number of negotiation tables from last year's seven tables to nine tables.

- The Standing Committee is concerned about transborder negotiations and their impact on resources and current NWT negotiations.

Information Requests on Self-Government

- During the Business Plan review, the Committee noted that the previous target of "providing information sessions to regions at least once a year" has been reduced to a target of responding to all reasonable requests for information sessions.

  The Committee is concerned that information sessions are being reduced at a time when communities, government employees and the general public need them most. The Department stated that they are currently working on a new communication strategy and will distribute it to the Members once it is completed, prior to the review of the Main Estimates.

Staff Retention Policy

- As part of its Human Resource Plan the Ministry stated that it was committed to retain as many employees as possible, both in the departments and government-wide.

- The Committee was concerned that the Ministry's staff retention policy intended to "find" employment for its staff once negotiations were complete rather than downsizing their department. The Minister replied that it was merely thinking far down the road about how to implement agreements once the negotiations were finished.

Legislation Supporting Land Claim Agreements

- As land claims are being settled, there is a need for the Government to bring forward legislation in support of those land claim agreements. Without that

legislation, the land claim agreements lack the necessary "teeth" to implement changes and programs. At the request of the Committee, the Ministry of Aboriginal Affairs agreed to provide a list of all legislation completed so far, legislation that is currently being developed, and that legislation which will be required shortly.

Department of Finance

General

- The Standing Committee on Governance and Economic Development met with the Minister of Finance and his staff on October 2, 2001 to review the Department of Finance's proposed Business Plans for 2002-2005.

- The Department proposed a decrease of $417,000 or 4.4 percent in its operations expenditures from their 2001-2002 Main Estimates to their 2002-2003 Business Plan. The projected decrease is the result of a $1,007,000 reduction in interest costs due to a decreasing Government deficit. This is offset by a $590,000 projected increase in the Government's insurance costs due to changes in market conditions.

Timeliness and Accuracy of Financial Information

- The Committee was especially concerned about the timeliness and accuracy of the Department's Business Plan expenditures and revenue. One set of revenue data was submitted in its proposed Business Plan on September 12, 2001, a revised set was provided to the Standing Committee on Accountability and Oversight on September 25, 2001, and another revised but updated set of figures was provided to Governance and Economic Development during its review of Finance on October 2, 2001.

- This was further compounded by resultant changes to the Department's operations expenditures, which included yet to be determined interest costs (that would take into account our recent corporate tax windfall) and to be revised forecasts of insurance costs.

- The Committee was not able to properly review the Department's proposed Business Plans as the Department did not provide timely and accurate information. The Department replied that its financial data would be fixed by the 2002-2003 Main Estimates.

- Finally, the Committee noted that the last corporate tax windfall of a gross $60,000,000 netted the Territorial Government $20,000,000. Given our recent tax windfall of $320,000,000, the Territorial Government should net $106,500,000. However, the Department has reported the Government will instead net $80,000,000. The Committee would like an explanation of the discrepancy.

Expenditures and Debt Management

- In the most recent set of revenue data supplied by the Department, which incorporated the current corporate tax windfall, Committee members noted that revenues are forecasted to decline from $847,708,000 for 2001-2002 to $728,161,000 in 2002-2003 and $722,354,000 in 2003-2004 before recovering to $784,418,000 in 2004-2005. These decreases may be due to a forecasted decline in our population and other jurisdictional spending (which are primary factors in the determination of our grant from Canada) and adjustments from our one-time corporate tax windfall. The Committee expressed concern that future revenues may not offset increasing demand for government programs and services.

- The Government noted that the recent corporate windfall of $80,00,000 is a one-time event. Committee members reminded the Government that all the corporate tax windfall did was to delay the Government's rendezvous with the debt wall. The Committee expressed concern that unless we find additional revenue, we may not be able to meet our growing expenditure needs in the future.

- The Committee advised the Government that the windfall should be spent in an effective and prudent manner. The Committee suggested the Government consult with the Committee on how the windfall should be spent.

Liquor Act

- The Committee discussed the idea that income from liquor revenues should be dedicated to government expenditures on alcohol and drug treatment programs. For example, if specific revenues can be collected and allocated towards the proposed Highway Strategy, then revenues from the sale of liquor can be dedicated towards the treatment of alcohol and drug abuse. The Minister committed to discuss the Committee's proposal with the Department of Health and Social Services.

- Committee members were concerned about the liquor plebiscite process. A 60 percent voter approval is required to establish liquor sales in a community. The Committee concluded that a 60 percent voter approval is too restrictive. A 50 percent plus 1 should be sufficient as this level is used in all conventional approval processes. Furthermore, the Committee noted that a 60 percent turnout is required for a plebiscite to be binding.

- In light of these concerns, the Committee would like a briefing from the Government on the most recent in-depth review of the *Liquor Act*. The Minister added that he would be coming forward in the near future with an amendment to the *Liquor Act* that would put restrictions on gambling in drinking establishments.

Rising Insurance Costs

- The Department expects significant increases in the Government's overall insurance costs. The Committee suggested that the Government work with communities to obtain insurance under one large policy. By using this approach, both parties would gain cheaper insurance premiums resulting from a greater economy of scale.

  The Minister replied that this may not be possible as the Government's deductible is $1,000,000 and many communities may find it unrealistic. Municipalities obtain their insurance by pooling their requirements under the Northwest Territories Association of Municipalities.

Property Assessment and Collection

- Property assessment is a function of the Department of Municipal and Community Affairs (MACA), and the collection of property tax arrears is a responsibility of the Department of Finance.

- Many members and residents have asked either Department for assistance in the resolution of property tax disputes and invoicing in General Taxation Area communities. However, it has remained impossible to achieve any resolution as Finance refers property tax issues to MACA, and vice versa. The Committee urges both Departments to clarify their respective responsibilities and become more customer service oriented.

Changes to Goal Outcomes, Measures and Targets

- The Committee noted that the target for the Department's first goal, "the fiscal regime of the Northwest Territories supports a stable political environment and a strong economy," had a significant change to one of its targets. The original target was "no increase to the annual deficit," now it is "planned deficit can be managed within debt limits." Committee members expressed apprehension to the Minister regarding the Department's change in focus from a balanced budget to that of a managed deficit.

- Committee members also noted that the Department removed the measure of number of commodity and payroll tax audits and completion of five major audits by July 2001 from its first goal. Committee members have always been concerned the Government has not been able to collect the full amount of payroll tax due. This change may imply that the Government is either no longer able to conduct audits or has concluded that it is no longer required.

- The Committee also took note of a major shift in one of the Department's targets for its third goal of the Department is more responsive to client needs.The Department removed the target of a 25 percent reduction in liquor licensing infractions by 2004 to conduct training sessions for at least 30 percent of the high to medium risk licensees per year and maintain contact with all licensees on a year round basis. The Committee questioned the Minister on the Department's shift from enforcement to education. Committee members were concerned whether or not this will increase or lessen compliance with the Liquor Act.

  The Department replied that the target has not changed and still remains part of the third goal. However, the Department explained that in order to achieve that goal, it has to devote more attention to specific activities such as training. The Department is hopeful that training sessions would contribute towards achieving a 25 percent reduction in liquor infractions by 2004.

Department of Public Works and Services

General

- The Standing Committee on Governance and Economic Development met with the Minister of Public Works and Services and his staff to review the 2002-2005 Business Plan on Thursday, September 27th, 2001.

- The Committee noted that the Department has requested an additional $1,807,000, a 4.6 per cent increase, for the 2002-2003 fiscal year. The major part of the increase is for approved adjustments and forced growth, however, $300,000 is allocated for the Safe Water Initiative.

- The Department has proposed an increase of $1,915,000 in the Infrastructure Acquisition Plan from the previous year's Main Estimate of $1,935,000, almost doubling their capital budget to $3,850,000.

Memorandums of Understandings (MOUs) vs Contracts

- During the review of the Public Works and Services Business Plan, the Committee asked for an explanation of the different ways GNWT departments versus communities are charged for work performed on their behalf by the Department. The Department stated that Memorandums of Understanding are used for GNWT departments while communities enter into a contract with the Department. The Department committed to providing information about policies and procedures involving contracted work for communities.

- The Committee was concerned about the nine percent fee charged to communities that is not charged to GNWT departments. Communities are then incurring costs which must be funded by MACA. In effect, the government is taxing itself.

The Committee was told that the policy of the Government is to charge communities a flat rate surcharge to cover the indirect costs of management and payroll, among others.

- The Committee was told that this issue should be followed up with FMBS. The Committee subsequently raised this issue during the review of the Financial Management Board Secretariat's Business Plan.

The Standing Committee would like to see the Government reconsider this policy of charging communities a surcharge in future capital construction and maintenance projects for communities.

Client Needs Survey

- The Department of Public Works and Services concluded a client needs survey and have published the results.

- During the Business Plan review, the Standing Committee established that the client needs survey was addressed only to clients of the Department, not communities nor the contractors involved in projects. The Standing Committee felt that a more comprehensive survey involving all the partners would better reflect the Department's current status as a service provider.

Functional Audit

- The Committee was concerned that the functional audit appears to have been dropped from the Department's workplan. The Department replied that they felt that by using a variety of performance measurement tools, including the client needs survey, that they would be able to collect the data necessary.

The Committee recommended that the Department reconsider its decision to drop the functional audit from its workplan.

Business Planning

- The Committee noted that the Department had made a serious effort to revise its vision statement and goals to better reflect the Department's services.

- The Committee stated that this Business Plan was significantly better than those of previous years and the vision statement was one of the best in the Business Plans presented to the Committee.

Records Management Services

- The Committee, following up on previous years' concern about Records Management Services, asked if the Department had been able to reconcile their system with the wishes of other departments. The Department replied that they were currently training three times the amount of people that they had previously.

- The Department also stated that they were hoping that a standardized system of records management would come out of the current Knowledge Management Strategy.

Department of Municipal and Community Affairs

General

- The Standing Committee on Governance and Economic Development met with the Minister of Municipal and Community Affairs (MACA) and his staff on September 26, 2001 to review the Department's Business Plan for 2002-2005.

  The Department proposed an increase of $604,000 or 0.98 percent in their operations expenditures, an increase of $6,854,000 or 164 percent in capital expenditures, and a projected decrease of $355,000 or 17.9 percent in their revenues from its 2001-2002 Main Estimates to its 2002-2003 fiscal year.

- The Government has changed the method by which it will determine its capital expenditures. As a result, the Department's $3,064,000 in infrastructure contributions to communities for the upcoming fiscal year are reported as capital expenditures.

  However, in the Department's Main Estimates for 2002-2003, these same infrastructure contributions will be reported as operations expenditures instead. Infrastructure contributions are contributions made to third parties for the acquisition or construction of tangible capital assets over which the Government will not have ownership.

Legislative Agenda

- The Department gave notice that it will be introducing two sets of legislation in the next 12 to 24 months. The proposed legislation includes the *Dogrib Community Government Act*, and the *Municipal Statutes Amendment Act*. As part of the legislative process, these proposals will call for the Committee to review the *Acts* and conduct a comprehensive public hearing process to allow stakeholders to provide their opinions and express their concerns. Committee Members are concerned about the timing and appropriateness of these proposals considering the short time left in the 14th Legislative Assembly's mandate.

- Committee members recalled the Department had proposed changes to the territorial municipal statutes (Empowerment Through Community Government Legislation, Western NWT, tabled December 7, 1998) prior to division and near the end of the 13th Legislative Assembly. At that time, the Standing Committee on Infrastructure was also of the opinion that there was not enough time to complete a comprehensive review and public hearing process in the remainder of their term.

- The Committee suggested that minor amendments may be considered for the municipal statutes to reduce liabilities to community governments and, in effect, reduce their risk and lower their rising insurance costs. The Department replied that this would not save time and an overall revamping of the municipal statutes would be more efficient.

Corporate Capital Planning Process

- The Committee is concerned about the Primary Rating Criteria used in the Government's Corporate Capital Planning Process. In descending importance, the priorities are:

  1. The protection of people;
  2. The protection of assets;
  3. The protection of the environment;
  4. Financial investments (which includes projects that reduce the cost of service delivery, or that create or enhance a revenue stream that recovers the cost within seven years), and
  5. Program needs or requirements (which includes projects that accommodate new programs, improve service delivery, maximize federal or other aid, or meet space needs that are the result of program expansion).

- The first priority is the protection of people. The Committee pointed out that larger communities would always receive priority if this criterion were applied. As it currently stands, smaller, less populated communities would consistently receive secondary recognition in the Government's Corporate Capital Planning Process.

  Committee members expressed concern that smaller communities may have their overall health and safety inadvertently compromised under the new Corporate Capital Planning Process.

- Committee members were also concerned that the new planning process does not involve timely and effective input from MLAs and communities.

  Under the new process, there is one government capital target, with all department projects competing for the available funding. This will open competition for available funding to all departments. Projects will then compete based on priority and need. This is based on the assumption that the new process will allow the Government more flexibility in setting its overall capital priorities. However, the Committee expressed its concern to the Department that by the time Members and communities are able to provide input, it may be too late.

Cost of Fuel and Proposed Highway Commercial Trip Permit Fees

- The cyclical cost of fuel and the proposed commercial trip permit fees have not been calculated into funding for communities. These two items are significant cost drivers for communities.

  All presentations and written submissions on the proposed commercial vehicle trip permit fee, also referred to as the Highway Investment Strategy, which were provided to the Committee, were of the opinion that the strategy would significantly increase the already high cost of living to the residents of the Northwest Territories, add costs to and resultantly compromise existing municipal and territorial government programs and services, and negatively impact upon and impede further economic development.

  The Committee is of the position that the Department, as a prudent measure, should incorporate potential costs arising from the Highway Investment Strategy and possible increases in fuel costs in its proposed Business Plan figures.

Recognition of Volunteers

- Many essential services in the communities are primarily staffed by volunteers in most communities. The Committee feels that it is important to promote the value and appreciation of volunteer involvement through the recognition of volunteers who, for a prolonged period of time, have made significant contributions and enhanced the quality of life in their communities.

Committee members unanimously agreed that there should be an ongoing program by the Department to recognize volunteers and especially volunteer firefighters. Volunteer firefighters risk their lives every time they are called upon to protect lives and property in our communities. Therefore,

The Standing Committee on Governance and Economic Development recommends the establishment of an ongoing award program to recognize outstanding volunteers, especially volunteer firefighters, as all volunteers have given services above and beyond the task asked of them and enhanced the quality of the community programs. Volunteers should also be recognized for longevity of service.

Public Works and Service Contracts and Overhead Charge

- The Department of Public Works and Services (PWS) manages water and sewage systems for many communities. However, Committee members pointed out to the Department that PWS always adds on a 9 percent overhead charge. This additional cost is borne by the community. Funding for most communities comes from MACA and unfortunately, MACA does not incorporate those overhead charges in their community funding model.

  The Committee members expressed their discontent regarding this policy to the Department. The Committee stated that the Government is in essence charging itself, but at the expense of community funding. This community funding is almost never enough and must be expended judiciously to ensure local programs, facilities and services are properly and safely maintained and delivered. The Department replied that this chargeback process is the responsibility of the Financial Management Board Secretariat (FMBS). The Committee subsequently brought this issue up during its review of FMBS's proposed Business Plans. The Minister responsible for the FMBS replied that the Government would review the chargeback process and report back to the Committee.

Department of Public Works and Services Surcharge

- The Department of Public Works and Services incorporates a 9 percent surcharge on its delivery of services and programs to communities. The Committee would like to learn the rationale behind this surcharge. Most of the

communities in the North receive the vast majority of their operational funding from this Government. This surcharge would reduce the funding for communities, which could be devoted toward the delivery of essential services and programs.

- The Minister replied that the policy of this Government is to recover the full costs of delivery including indirect costs such as management and payroll costs. Instead of including these widely varying costs in every service or project, a flat charge is made for work done on behalf of third parties.

- Committee members did not consider communities as third parties, since this Government through the Department of Municipal and Community Affairs pays for their operational funding. The Minister replied that he would review the charge-back process.

Department of Resources, Wildlife and Economic Development

General

- The Standing Committee on Governance and Economic Development met with the Minister and departmental staff to review the 2002-2005 Business Plan on Monday, October 1st, 2001.

- The Department is proposing to increase their budget by $4,930,000 or 6.53 percent. Approximately $3,800,000 of that increase is related to a large number of new initiatives. Following up from the Committee's review of last year's Business Plans, the Committee again expressed its concern that the Department is developing too many new initiatives and not focusing on completing previous plans.

- The Department is proposing an increase of $1,375,000 in the Infrastructure Acquisition Plan from the previous year's budget of $1,298,000, almost doubling their capital budget to $2,673,000.

Fire Suppression Savings

- The Committee is concerned that fire fighting savings from the previous two mild summer seasons are being redirected into other areas of the Department and that the true savings amounts to a significant sum. The Department committed to briefing the Committee on the Forest Management Program, suppression, presuppression and savings due to low fire seasons.

- Prior to that briefing the Department committed to providing a list of long term contracts, when they expire and their associated costs. The Department will also provide a breakdown of proposed 2002/03 costs and expenditures to date. The Department did estimate savings to be roughly $3 million for the 2001 summer season.

Energy Conservation Budget

- In last year's Business Plan 2001-2004, the Department dedicated $195,000 per year for a new Energy Conservation Initiative. This year's Business Plan for the Department identifies the reduction of these funds.

  Given increased fuel costs and the need for energy conservation the Committee would like a written explanation for the deletion of $75,000 in 2002/03 and $120,000 in 2003/04 from the Energy Conservation budget.

Human Resources

- The Committee, as in previous years, expressed its concern that funds from vacant positions are being used to subsidize programs and services. The Committee noted the large number of vacancies in the Department and wanted to be assured that all reasonable effort is being expended to fill those positions.

- The Committee asked the Department to provide a list of where the Department is proposing new positions as a result of new initiatives to be presented in the same form as the organizational chart for comparison.

- The Committee would like to see a list of long-term employee contracts with breakdown of employees and costs.

Wildlife Act

- The Committee is concerned about the amount of money being spent on the consultation process for the Wildlife Act. The Committee noted that consultation is also to be done once the proposed bill comes to the Legislative Assembly. The Committee was told that $500,000 per year was allocated for the consultation process for the Wildlife Act. However, during the review of the Department's Business Plan, the Minister informed the Committee that the money had been absorbed into their base funding. Furthermore the Committee was told that after the consultation process is completed in the current year, funding would be required for implementation.

  The Committee would like to be assured that the $500,000 per year is only for a three-year term and will not be incorporated into the Department's yearly budget.

Forecast Capacity/Development Issues

- As resource development occurs in the Northwest Territories there is a requirement for substantial investment in infrastructure and human resources. The Committee recognizes that the Northwest Territories reaps some benefits from this development, but is also aware that the costs may soon begin to outweigh the benefits.

  The Committee would like to see a forecast of the projected gains versus losses of increased economic development in the NWT. The Department stated that it would address that issue in their next Business Plan.

Baseline Environmental Monitoring Information

- As further economic development occurs in the Northwest Territories, the Committee is concerned about the future effect on NWT land and wildlife. Without up-to-date information about the current status of wildlife and land resources, the Committee is concerned that the Government cannot adequately measure the effect future development has on our natural resources. The Committee would like to see more environmental baseline information in place before future development affects land and resources.

The Department stated that it was not well monitored while in federal control and that the bulk of that tracking is now the Department's responsibility. The Minister also stated that all responsibility for baseline environmental monitoring will be re-examined by the Intergovernmental Forum.

Support for Businesses

- The Department stated that a draft of the new Business Incentive Policy would be ready for distribution by the end of October, 2001. The Committee would like to ensure that claimant groups are being fully consulted prior to the finalization of the Business Incentive Policy. The Committee would like to see a draft of the new policy once it is ready for distribution.

- The Committee would also like to be given a draft copy of report on economic review of NWT Development Corporation, the Business Credit Corporation, the Business Development Forum and Community Futures when complete. The Committee noted that despite the proposed amalgamation of these groups, the projected savings are only $500,000.

- Finally, the Committee is concerned that secondary industry, such as diamond cutting and polishing, is focused in Yellowknife and that smaller communities are not able to take advantage of this new industry and its benefits. The Department agreed that they would like to see companies set up in smaller communities, but they did not have any legislation requiring that they do so. They did, however, suggest that financial incentives could possibly address this concern. The Department offered to look at developing a program to provide incentives to companies to encourage them to locate in smaller communities.

Department of Transportation

General

- The Standing Committee on Governance and Economic Development met with the Minister of Transportation and his staff on September 28, 2001 to review the Department's proposed Business Plans for 2002-2005.

- The Department proposed an increase of $1,783,000 or 2.5 percent in operations expenditures, an increase of $15,157,000 or 38.8 percent in infrastructure expenditures, and a projected increase of $65,644,000 or 626.1 percent in revenues.

The proposed increase in operations and infrastructure expenditures are attributed to the proposed Highway Investment Strategy. The projected revenue increase is due to forecasted revenues from the proposed Highway Investment Strategy of $20,900,000 and deferred contributions from the federal Airport Capital Assistance Program in the amount of $43,995,000.

Proposed Highway Investment Strategy and Business Plan

- The Committee reminded the Department that the proposed Highway Investment Strategy is still in the public hearing stage and should not be included in the Government's Business Plans. The Committee gave notice to the Department that it will review its expenditures and revenues once the fate of the Highway Strategy is certain.

- Furthermore, Committee Members advised the Department that it should have a contingency Business Plan ready that does not incorporate expenditures and revenues from the Highway Strategy. The Committee did not appreciate receiving and reviewing a hypothetical Business Plan based on the hypothetical passage of the Highway Bills. Members concluded that a huge assumption is being made.

The Standing Committee on Governance and Economic Development requests the Department of Transportation submit a revised Business Plan to the Committee for review. The revised Business Plan must not incorporate expenditures, revenues, strategies or any other items related to the proposed Highway Investment Strategy.

Further, the proposed Highway Investment Strategy should be reviewed and debated by all Members of the Legislative Assembly before being incorporated into the Department's Business Plan.

Tracking of Capital Expenditures

- The Committee concluded that there is no established method to effectively track the expenditure of capital funding. Once again, members are confronted by large capital projects in which the Department may make changes within a project without adequately notifying the affected MLA and his/her constituents.

The Committee suggested a reporting process be established to ensure that members are notified about capital expenditure changes in their areas. The Minister replied that the Financial Management Board Secretariat is working on a reporting procedure.

Calcium Chloride

- The Department advised the Committee that Environment Canada has declared calcium chloride as toxic. Calcium chloride is used for dust control and chip seal.

- However, the Department reported that there are no cost-effective alternatives to consider at this time. Transport Canada has forecast a two to three year transition period based on a more expensive anti-ice version until a more economical alternative is found.

Community Access Roads

- Under the capital projects reporting process, community access roads are reported under operations expenses. Capital projects that cost less, or require less than $50,000 in annual funding, are included as operational expenditures for this Government under the Tangible Capital Assets system. As a result, Members and the public are not able to monitor the development of community access roads in the Government's Infrastructure Acquisition Plan.

- Committee members would like the Department to have better reporting of community access road projects. The Committee also requested expenditure information on current and proposed community access roads from the Department.

Affirmative Action

- The Committee requested more detailed affirmative action statistics from the Department, including a breakdown of affirmative action statistics in the Department's core businesses, summer employment and aboriginal employees by occupational group up to June 21, 2001. The Committee suggested that the Department meet with the various territorial aboriginal groups to discuss initiatives to increase the number of affirmative.action employees.

Ingraham Trail

- Some Committee members expressed concern that the Ingraham Trail has and will receive more than its fair share of funding. They further state that traffic accidents occur on other roads too, but accidents on the Ingraham Trail receive better media attention. Other roads and communities need funding to reduce their traffic accidents.

  The Minister replied that funding for the Ingraham Trail is appropriate given the level of traffic. Traffic on the Ingraham Trail is estimated to be over 1500 vehicles per day. Another Member observed that if funding were based on traffic volume, then a road up the Mackenzie would never be a possibility. The Minister responded that if he were directed by the Legislative Assembly to change the Department of Transportation's priorities, he would do so.

Nunavut Port

- Nunavut is conducting a feasibility study on the possibility of establishing a port at Bathurst Inlet with an all-weather road to potential mine sites in the area. There was some concern in the Committee that Nunavut's transportation proposal may compete or, in the worst case, replace our proposed all-weather road system up the mineral rich Slave Geological Province. Committee Members noted that the Department of Indian Affairs and Northern Development should fund our road to resources, as the federal government will reap most of the royalties anyway.

  At the Committee's request, the Department will supply more information on the Nunavut proposal. The Department assured the Members that a southern highways route cannot be discounted as most of the workers and supply sources are located in southern Canada.